

HOUSE LEGISLATIVE COMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

May 15, 1991Hearing Room 343 8:00 A.M.State Capitol Salem, OR

Tapes 190-193 Key Industries Regional Strategies Amendments

MEMBERS PRESENT: REP. RAY BAUM, CHAIR REP. JERRY BARNES REP.
MARGARET CARTER REP. CEDRIC HAYDEN REP. VERA KATZ REP. DAVE MC TEAGUE
REP. BOB PICKARD

MEMBERS EXCUSED:

STAFF PRESENT: JOSEPH CORTRIGHT, EXECUTIVE OFFICER TAMIRA MILLER,
POLICY ANALYST JERI CHASE, OFFICE MANAGER HOLLY BROWN, COMMITTEE
ASSISTANT

WITNESSES:DAVE LOHMAN, SENIOR DEPUTY DIRECTOR, ECONOMIC DEVELOPMENT
DEPARTMENT JERRY JUSTICE, CLACKAMAS COUNTY JOHN GERVAIS, REDMOND CHAMBER
OF COMMERCE/ REDMOND ECONOMIC DEVELOPMENT ASSOCIATED PARTNERSHIP (REDAP)
LISE GLANCY, REGIONAL STRATEGIES PROGRAM, ECONOMIC DEVELOPMENT
DEPARTMENT KIM DUNCAN, OREGON TOURISMALLIANCE DAVE LOHMAN, SENIOR DEPUTY
DIRECTOR, ECONOMIC DEVELOPMENT DEPARTMENT

NOTE: These minutes contain materials which paraphrases and/or
summarizes statements made during this meeting. Only text enclosed in
quotation marks reports a speaker's exact words. For complete contents
of the proceedings, please refer to the tapes.

TAPE 190, SIDE A

000 CHAIR BAUM convenes the meeting at 8:10 a.m.

HB 2340 (Regional Strategies) - Public Hearing and Work Session

030 TAMI MILLER: Presents Proposed Regional Strategies Amendments
(EXHIBIT A).

042 REP. MC TEAGUE: Where did these amendments come from?

045 MILLER: These amendments have been developed at the direction of
the Committee Chair and with the cooperation of EDD. Continues to
present EXHIBIT A.

073 REP. PICKARD: The Key Industries definition is not exclusive?

077 MILLER: This means any traded sector industry. There may be new
industries that emerge that are not included that would qualify under
that definition.

088 REP. BARNES: Some of our regions have more than one key industry
and the way I understand this to mean that we could only designate one
industry. We need

flexibility.

095 MILLER: That issue has been discussed. In a two-year period with the amount of money available it would be difficult to make a difference in two or more industries. EDD suggests that the regions need to focus on one industry at a time and make a difference in that industry.

108 CHAIR BAUM: It is intended to give more focus to a strategy.

114 DAVID LOHMAN: This has been discussed a lot. EDD has decided that it pays off to have the regions make a choice. This is difficult and we are not advocating that any region say only one region is responsible for all of its economy, nor is Regional Strategies all they should be doing in their areas. With this fund, however, we would like them to focus so that in five years something can be accomplished.

133 REP. BARNES: I am not suggesting that they designate an unlimited number of industries. I would argue that they should be able to pick two top industries. It would be difficult in my district to decide which industry - tourism or forest products - was the most important.

137 JERRY JUSTICE: The local advisory committee is divided on this issue as well. It has been discussed at length.

153 LOHMAN: In many counties they barely have the staff to carry on one strategy and to have more strategies makes it even harder for them.

160 REP. BARNES: Are you going to be able to go into areas and analyze economic growth in small communities?

165 LOHMAN: We think so, it depends on the lottery allocation. That is another issue to be discussed today regarding this bill. During next biennium, we have no funding budgeted for that type of assessment work. It has been discussed with the Chairs of this committee and believe this is useful activity.

177 REP. CARTER: This gives communities the opportunity to get together and work on some new projects.

199 JOHN GERVAIS: If you develop one strategy in a county it can be difficult if one town is edged out by a bigger town. Economic development for the whole area may not take place. This could be a political problem.

223 MILLER: To address that problem we want to establish regional committees that representatives more balanced representation that is region-wide.

220 GERVAIS: I am still not sure there isn't a need to address different needs in a county. I understand that there are only so many dollars. I don't like the one strategy approach.

248 REP. BARNES: I wonder if we could include flexibility in the bill that if the specific communities can illustrate these problems, EDD could allow a secondary or tertiary strategy for a specific area within that region.

256 LOHMAN: Of course that is possible. But I think we want people to make a difficult choice. Regarding the timelines, we couldn't meet the proposed ones if we have to deal with two strategies per region. By

allowing for an exception, every region will press to have two.

291 CHAIR BAUM: Personally, I think tourism should be out of key industries, but I will not propose an amendment for that because I know others feel differently.

311 GERVAIS: I would agree that tourism should be de-emphasized and other kinds of industries should be more supported.

315 REP. KATZ: I agree. Tourism has a statewide focus and I think it is a mistake for regions to focus their strategies on tourism. They should begin focus on manufacturing, high technology, or small business networking.

370 LOHMAN: I understand these concerns. There are a number of regions that would be disappointed if tourism was not allowed as a key industry. The tourism we do at the State level is aimed at marketing, not product development. That has been left for local areas to do. Facilities for tourism is left for local communities to do and this money has been used for that.

389 REP. CARTER: I think this is more than an issue of economics, it is an issue of leadership. We need to realize that there are families out there who want family wage jobs for one parent. We need to develop things that are enduring so that we can create long term sustaining jobs.

425 JUSTICE: There seem to be two areas within the tourism strategies. Historically, a number of the regional strategies were imposed as opposed to being selected. There are areas of the state that have not yet taken as much advantage as they could of the tourist attractions in their area. Left to their own devices, using the approach of these amendments, a number of regions now focusing on tourism will probably shift their focus. However, it would be a disservice to not allow some areas of the state to not use tourism.

475 REP. BARNES: Why is agriculture not included in this definition of key industries?

483 LOHMAN: This is a suggestion that I made in order to be consistent in definitions in SB 997 and this bill. As I review it, I was wrong. Food products is listed here, but not agriculture. I think agriculture should be added. I have other suggestions for changes to this as well. Producer services is amorphous and will lead to lack of focus.

TAPE 191, SIDE A

030 LOHMAN: The same is true for machinery and transportation equipment. I would remove those from the list.

034 CHAIR BAUM MOVES that "food products" be changed to "agriculture products".

035 VOTE: There being no objection, the language in the proposed amendments will be changed as stated above.

042 REP. BARNES: What about transfer technology and communications; where would those fall?

046 LOHMAN: It could fall under electronics - the term used in the past

was high technology. This encompasses electronics and could encompass communications. You may want to change the language to reflect that.

053 MOTION: REP. BARNES MOVES that "electronics" be changed to "high technology."

VOTE: There being to objection, "electronics" is changed to "high technology."

056 MOTION: The CHAIR moves to delete "machinery," "transportation," and "producer services."

VOTE: There being no objection, the above language is deleted.

067 MILLER: Within the strategic plan there are four other industries listed that are not included in this definition: Plastics and environmental services.

080 REP. HAYDEN: Is the concept of a "key industry" an industry that may not be a major one now, but that we are choosing to pursue?

082 CHAIR BAUM: It is a substantial contributor to the economy unless you can make the case for diversification and create a new one.

098 MILLER: There are characteristics for a "key industry": 1) it has to be an industry that promotes diversification; 2) industries that are targeted because they have the potential for a good deal of growth in Oregon.

115 REP. HAYDEN moves "aerospace" be added to the definition.

125 CHAIR BAUM MOVES that "plastics" and "environmental services" be added.

130 CHAIR BAUM MOVES that "instate tourism" be changed to "interstate tourism".

135 REP. PICKARD: Is this meant to be inclusive or exclusive or is it meant to be a guide?

145 MILLER: This is not intended to be an exclusive list.

152 CHAIR BAUM: Maybe we should add the language "including but not limited to."

150 LOHMAN: That does undermine what we want to do which - focus on issues of state concern.

158 REP. KATZ: You can manage that by not giving money to projects that you don't think are of state concern. We have a hard time "closing the doors" just in case a new idea comes along. You will need to manage through that.

179 LOHMAN: We will try and have tried in the past, but we have not always been successful. There have been "catch-all" strategies.

183 CHAIR BAUM: "But they are not on this list. And they are going to have to make a real specific focused case with you to do one of those strategies if it does not fall more appropriately under one of these things on this list. But if someone comes up with another focused

industry that is not on this list, we won't turn them down automatically. We will look at it."

192 LOHMAN: We can agree to that.

203 VOTE: There being no objection, language that states "including but not

limited to" is adopted.

205 MILLER: Continues presentation of EXHIBIT A (#1). EDD would like language that would allow regions that have a non-qualifying strategy now (maritime trade and technology transfer), to continue these strategies for one more biennium.

223 CHAIR BAUM: Why should they wait until next biennium?

232 MILLER: Coos Bay has chosen Maritime Trade for their strategy for the past two biennia.

235 REP. MC TEAGUE: I don't think we should presume to know more than the region itself about what the best strategy is for their region.

250 REP. KATZ: What is the problem with the maritime trade strategy?

251 LOHMAN: The issue is that it includes a number of industries. Their strategy for this biennium includes agriculture, fisheries, etc., under the large heading of "maritime trade".

259 LISE GLANCY: Coos County wanted to develop the Port of Coos Bay as a statewide port. They believed that identifying maritime trade as their strategy would help that. They have discovered that maritime trade is a highly infrastructure-dependent strategy and have struggled with it, not being totally comfortable with it themselves. I am not sure Coos County would object.

270 LOHMAN: There are also several other regions in a tech transfer strategy - which includes any kind of manufacturing.

290 REP. KATZ: Isn't that a management problem?

294 LOHMAN: I think it can be managed.

294 CHAIR BAUM: Maybe we should just leave it as it is. EDD will simply have to manage it through the "not limited to" language that we have included.

341 MILLER: Continues presentation of EXHIBIT A (Items 2 through 8).

418 REP. MC TEAGUE: Have regions had a problem getting their applications into EDD?

447 LOHMAN: There are problems on both sides. The regions think we are too slow with applications once we get them; however, we have set up work plans with them at the beginning of the biennium with deadlines that are not met. The principle difficulty is that most areas don't have staff at the regional level to push these things through. The regions are relying on volunteers or public staff who have many other responsibilities. Nobody has the job of driving these.

TAPE 190, SIDE B

032 JUSTICE: I see a direct linkage in items 2 through 9 and the \$850,000 in assistance. During discussions, it became clear that two things were needed: 1) a specific deadline date imposed on the recipients and agency; 2) a cry from the counties for help on the technical side - for EDD to put someone in the field to spend the time telling the regions what EDD's assessment of the initial proposal was, what was needed to be done to improve it - to provide the resources or expertise. Those two things begin to deal with the problems - deadlines and quality of product.

066 CHAIR BAUM: You are comfortable with the items 2 through 9 as long as the technical assistance is there?

068 JUSTICE: Yes. If the assistance monies are lost, we are uncomfortable with the deadlines.

076 CHAIR BAUM: If there is no objection to the deadlines, as long as funds are available to help meet those deadlines, the issue becomes that money for the regions must be expended within 18 months. Occasionally projects will be delayed by things that are beyond the control of the region. Do we have the ability to work with those issues?

088 LOHMAN: Things like that do come up - particularly in larger projects. It is a policy decision that you have to make; if you allow it, it will appear on our books as carryover.

101 REP. CARTER: I don't see that as being a problem as long as you can explain the carryover.

106 JUSTICE: "Expended" becomes a very precise term. We need the term "obligated or committed".

118 REP. BARNES: I agree. Some of these things are done in phases. If the money is contractually obligated, that should be good.

126 REP. CARTER: I think instead of holding up money for four years, we should have some time limits. How about an extension of up to three years?

140 JUSTICE: It is difficult to construct the right kind of limitation. The Baker City situation happened as a result of working with the federal agencies for additional funds. A statutory timeline entering in into these negotiations would have been inappropriate. However, I agree that funds sitting in an account for a "someday" type of project is offensive.

152 REP. CARTER: I agree.

159 REP. BARNES: I think EDD should be allowed to extend the time if good faith efforts have taken place on the part of the region. There needs to be a cut-off, but I think the 18 months is merely arbitrary.

168 REP. KATZ: Can you cut them off now? Does anything prevent you?

169 LOHMAN: No. This biennium we have written the contracts to state that the money is withdrawn if the funds are not used within two years of strategy approval. We have not requested this language. The

Co-Chairs are concerned about an excess of carry-over.

189 CHAIR BAUM: When the final strategy is approved, is the money considered committed at that time?

191 LOHMAN: No. The strategy is first approved, then contracts are developed with obligations on both sides. The money is drawn only when they present documentation that the project is ready to proceed as they have previously described.

199 CHAIR BAUM: When are the dollars considered "committed"?

200 LOHMAN: When they send their request and, at that point, we send the money.

204 MILLER: Haven't you made a commitment as soon as it is on the record?

208 LOHMAN: We hold that money for those counties and nobody else can get it, but that looks like carry over.

212 CHAIR BAUM: Then adding the word "commitment" does not get us anywhere. We either delete the requirement, or add an escape clause that refers to "conditions beyond the control the region/department".

225 REP. CARTER: What is your perception of the problem with Regional Strategies that necessitates this language?

235 LOHMAN: This language tries to address the carry-over issue. But the more fundamental problem is that some regions select projects that are not ready to go yet. We try to monitor that, but there have been times when they or us have been wrong. This is to force more realism into the process so that they will select projects close to implementation.

245 REP. CARTER: Is this enhancement language helpful to you?

248 LOHMAN: I don't think we need this language.

242 REP. PICKARD: I see this an effort of people who have expended \$61 million in lottery money and now are aware of the problems and are trying to fix them. I don't see this as restrictive. I see this as having worthwhile intent. I believe in the 18 month deadline.

281 REP. BARNES: Counties have other things to do besides economic development. Most counties can't afford an economic development staff person. They need some assistance to analyze what they need and then help them do it.

312 CHAIR BAUM: Can you live with an escape clause? "Unless conditions exist that are beyond the control of the department and/or the region"?

316 LOHMAN: Yes.

320 MOTION: REP. MC TEAGUE MOVES that subparagraph 2 on page 5 of EXHIBIT A (Item 12(1) of EXHIBIT A) be deleted:

VOTE: Passes. Voting AYE: REPS. CARTER, KATZ, MC TEAGUE, and BAUM. Voting NAY: REPS. BARNES and PICKARD. EXCUSED: REP. HAYDEN.

357 MILLER: There is also language in Item 12(1) of EXHIBIT B that directs EDD to give priority to projects that can be completed in 12 months.

390 MOTION: REP. CARTER MOVES to delete the above language.

400 REP KATZ: What is the concern here?

405 LOHMAN: CHAIR FAWBUSH wants to make assure that projects do not linger without being implemented.

410 REP. KATZ: What projects have lingered without being implemented?

411 LOHMAN: The Research Park in Eugene has had lots of unexpected delays (since 1988).

422 GLANCY: There is approximately \$5 million of 1987-89 projects on hold. Of those, 71 percent (eight projects) have pretty good reasons for being on hold. Others are just slow in starting. There is some issue about better defining projects up front.

452 REP. CARTER: This seems to be a management issue. If you can tell that project is going to be too long to implement it, reject it.

455 LOHMAN: We do that. Some of these delays are unexpected.

450 REP CARTER WITHDRAWS HER ABOVE MOTION.

442 REP. CARTER: they need something to speed the project up.

470 REP. BARNES: We need to leave it flexible. This language is limiting and could curtail the region's activity.

487 MOTION: REP. BARNES MOVES to delete subparagraph 5 on page 2 of EXHIBIT B.

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027 REP. PICKARD: The language "priority" is not offensive to me. I am opposed to the motion.

032 VOTE: Passes 4-2. Voting AYE: REPS. BARNES, KATZ, MC TEAGUE, and BAUM. Voting NAY: REP. CARTER and PICKARD. EXCUSED: REP. HAYDEN.

045 REP. MC TEAGUE: Do you have the management flexibility, case-by-case, to determine the project's timeline? Do you use it?

052 LOHMAN: Yes.

059 REP. MC TEAGUE: What if there is a project with a lot of energy and they need an extension, what do you do? What is your procedure now?

065 GLANCY: This has just been instituted. We haven't yet had to deal with this. I imagine we will get pleas for extensions. This is a difficult thing to manage. This discussion will be helpful in that we understand the committee's concern on this and can transmit that concern to the regions during strategy development.

079 REP. MC TEAGUE: That message would be that we discussed it and decided not to take away management flexibility, but if this problem

continues or worsens, the next legislature will probably adopt some of these tougher standards and the flexibility will be lost.

083 JUSTICE: A concern of the regions is the policy issue of whether or not you would be at a disadvantage in submitting a strategy that could not be completed within 12 months. The alacrity of project completion is not directly tied to the benefits derived from that project. The language "priority" could be misinterpreted. I do not believe this committee wants a policy that would state a project completed in less than a year would be given priority over longer-term projects.

096 CHAIR BAUM: We just want more things done promptly. Part of that process is setting deadlines up front and providing some technical assistance. That is covered in Item 12(2). This language would be revised to reflect the intent that EDD "may use up to \$850,000."

107 MOTION: CHAIR BAUM MOVES adoption of language in Item 12(2) (as revised above) of EXHIBIT A.

VOTE: There being no objection, above language is adopted.

114 MOTION: CHAIR BAUM moves adoption of language in Item 13 of EXHIBIT A.

119 REP. CARTER: This committee has worked hard for technical assistance dollars.

130 REP. BARNES: I agree this is important.

134 VOTE: There being no objection, the above language is adopted.

136 REP. KATZ: Has the Committee or EDD done an evaluation of the Regional Strategies Program? Shouldn't that be done if it has not?

137 MILLER: That has not been done yet. This biennium would probably be a good time to do that. The Regional Strategies Program was designed to be a program whose effects were felt in 4-5 years. This being the beginning of the fifth year would be a good time for evaluation. We would be able to determine its effectiveness.

147 REP. KATZ: I would like to request that the Chairs of both Committees consider this.

150 LOHMAN: Included in that \$850,000 would be \$50,000 to "buy" outside analysis of the Regional Strategies Program.

154 REP. KATZ: I would prefer an outside evaluation.

168 CHAIR BAUM: Does anyone have any further suggestions for amendment of this bill?

170 JUSTICE: I would like some review of text in EXHIBIT B. On page 2 subparagraphs a, b, and c do not reflect the same timelines that have been agreed upon. KIM DUNCAN will present further information on these. The text correction that I have a concern with is in Section 6 (Page 3 of EXHIBIT B). This is not clear that the final determination of the submission of the strategy lies with the governing body as opposed to the group the Regional Strategies group is advisory to. We need to tighten this language so that they are not interpreted to be the body making the final recommendation.

195 CHAIR BAUM: The final authority should rest with the County governing body - the Board of Commissioners?

196 JUSTICE: Yes. I do not believe that is within their purview to suggest.

198 CHAIR BAUM: Let's work on the timeline concerns in Section 4 (page 2 of EXHIBIT B).

199 KIM DUNCAN: In subparagraph 4, we are concerned about the department providing the regions with an economic assessment of their industries coming four months into the biennium when the regions are asked to form 30 days into the biennium. It would be of benefit to the regions that they have economic status information prior to their formation.

210 MILLER: The point of the assessments is to do them after regional formation for the purpose of establishing strategies, not for the purpose of establishing regions.

213 DUNCAN: I would assume that regions are formed, in part, because there is a strategic objective for their coming together.

219 CHAIR BAUM: This would delay the process for six more months. The regions are now fairly well- organized. If some counties do not want to participate in a tourism strategy, they should be able to get out of their tourism-centered regions.

239 REP. CARTER: What is the concern here?

240 DUNCAN: If the purpose of the assessment is to assist regions to cooperate, the way this is now worded would make it too late for that to occur. If the purpose of the assessment is to provide information after the region's formation, this language would work.

250 CHAIR BAUM: The purpose is not to assist in regional formation - they already exist and many changes within regions are not anticipated. We want to assist them with what the region should focus on.

257 REP. BARNES: I would think that the boundaries of the labor market would be a factor and a prime consideration.

275 LOHMAN: Yes.

290 CHAIR BAUM: That issue is resolved. Regarding Section 6 (Page 3, EXHIBIT B), the language is clear. The governing body will be responsible for submission of the strategy.

298 JUSTICE: The problem I have is Sub(3).

312 CHAIR BAUM: The key language is "by the governing body".

318 MILLER: It was the intent to leave it the way it is. If the governing body delegated to the regional committee responsibility for establishing the strategy, holding the public hearings, etc., they would pass the approved document to the governing body and they would pass it to the Governor.

330 CHAIR BAUM: The elected officials need to be the ones who take the

final vote.

340 REP. KATZ: What is the thinking behind this.

342 MILLER: If the county wants to delegate that responsibility, then the regional committee, with the governing body's blessing could make the vote. They do not have to delegate the responsibility.

351 JUSTICE: EDD needs a government recognized official entity to come back to.

360 REP. KATZ: I agree with JUSTICE.

364 LOHMAN: Currently our administrative rules require that there be a resolution vote by the local government. That could be put in statute by adding the language that JUSTICE has suggested "by the governing body of each county". This would not be a change in procedure for us at all.

372 REP. KATZ: I would agree with that but I would also like the regional strategies committee to vote because it needs to be clear on the record what the delegating authority feels about it.

385 MOTION: REP. BARNES moves to strike "or the regional strategy committee" in sub(3) of Section 6 (page 3 of EXHIBIT B).

390 REP. BARNES: I made the motion for two reasons: 1) I do not believe it is possible for city and county government officials to delegate their authority for expenditure of public funds; 2) this would put counties that have home rule charters in conflict with state law.

399 REP. HAYDEN: If you are going to have a delegated regional strategies committee to take testimony and make recommendations to the governing body, they cannot recommend anything without taking a vote.

393 LOHMAN: We could do that in administrative rule.

415 REP. KATZ: You may still want the regional strategies committee to have the ability to hold a public hearing. What you want is to have the final vote taken by the governing body. I want to insert that the regional strategies committee vote to make a recommendation to the governing body, who will have the final vote. That is my intention.

439 MOTION WITHDRAWAL: REP. BARNES withdraws above motion.

460 REP. KATZ: Could we draft some language to implement the intent of my previous statement?

464 CHAIR BAUM: Yes. We need to work with the language in Section 6, sub (3).

470 REP. HAYDEN: I think you could accomplish this in Sub(1) by adding "the committee shall pass recommendations to the governing body subsequent to a vote of that committee".

479 REP. KATZ: I agree. Then in Sub(3) you would say "the vote of the governing body to recommend to the Governor."

TAPE 192, SIDE A

030 MOTION: REP. HAYDEN MOVES to amend Sub(1) (on Page 3 of EXHIBIT B)

to add the language: "the committee shall make a recommendation to the governing board of each county based on the majority vote of the committee".

041 MOTION: CHAIR BAUM MOVES a friendly amendment to the above motion. Also add language to Sub(3): "in each county in the region prior to a vote by the governing body of each county to recommend to the Governor".

045 REP. CARTER: Objects to amendments on the basis of micro-management.

055 VOTE: PASSES. VOTING AYE: REP. BARNES, HAYDEN, KATZ, MC TEAGUE, and BAUM. VOTING NAY: REP. CARTER. EXCUSED: REP. PICKARD.

060 CHAIR BAUM: Are there any further amendments before the final amendments to the bill are moved?

062 JUSTICE: I would think we need to discuss the uses of the \$850,000.

068 CHAIR BAUM: We would leave that to the discretion of EDD.

074 JUSTICE: Would one appropriate use of these funds be actual assistance to the county as opposed to conducting a study?

076 CHAIR BAUM: Maybe EDD should state, for the record, what the \$850,000 will be used for.

078 LOHMAN: We have divided it as follows: \$350,000 for technical assistance for projects - up-front work; \$300,000 for regional assessments; \$150,000 for industry models - part of regional assessment process; \$50,000 for the performance audit.

094 JUSTICE: That does not sound like assistance targeted for counties.

100 CHAIR BAUM: \$500,000 seems fairly focused to me that will go directly to counties.

113 REP. BARNES: Do you still have enough flexibility to make this program a success?

116 LOHMAN: Yes. With the exception of the deadlines. We will not be able to do this with the staff we have in this amount of time. These deadlines are causing us to get 15 strategies in one month and that will be hard for us to get the strategy done. We go through a review and negotiation process and this takes a lot of time. Therefore, we will have to use funds for administrative costs, as provided for in Item 13 (EXHIBIT A) - to hire two additional staff.

179 MOTION: REP. BARNES MOVES adoption of the amendments, as amended, to HB 234 0.

VOTE: There being no objection, the above amendments are adopted.

CHAIR BAUM: We need a motion to rescind the referral to the Ways and Means Committee so that this bill can go directly to the floor and pass over to the Senate for their action. After the Senate Trade Committee acts upon it, then it will be referred to the Committee on Ways and Means.

187 REP. KATZ: I object to moving bills with dollar amounts past the

Committee on Ways and Means.

213 MOTION: REP. BARNES MOVES to recommend to the Speaker that the referral to the Committee on Ways and Means be rescinded.

215 VOTE: Passes, 4-2. Voting AYE: REP. BARNES, HAYDEN, MC TEAGUE, and BAUM. Voting NAY: REPS. CARTER and KATZ. EXCUSED: REP. PICKARD.

237 MOTION: REP. BARNES MOVES HB 2340, as amended above, to the House floor with a Do Pass recommendation.

VOTE: Passes, 6-0. Voting AYE: REP. BARNES, CARTER, HAYDEN, KATZ, MC TEAGUE, and BAUM. EXCUSED: REP. PICKARD. Carrier: CHAIR BAUM.

SB 997 (Key Industries) - Public Hearing

245 CORTRIGHT: HB 2614/SB 562 (the lottery allocation bills) contains the funding allocation for SB 997 (\$1.5 million).

264 LOHMAN: Submits "EDD Key Industry Program - 1989-91 Initiatives" (EXHIBIT D).

290 CORTRIGHT: NIELS NIELSEN's testimony on Monday was about the Danish networking program. This bill contains other activities besides networking - revolves around key industries.

312 REP. KATZ: It makes sense to provide incentive grants for businesses to become more competitive and change their methods of business.

343 CORTRIGHT: SB 364 contains a proposal to establish a networking program for the secondary wood products industry. This bill has not yet been passed.

350 LOHMAN: The Danes allocated \$25 million to their network program - a substantial commitment. In this bill (SB 997) and in SB 364 we are trying to take some beginning steps.

365 REP. KATZ: How are you going to adopt the concept of networking for small businesses under SB 997 ?

372 LOHMAN: SB 997 is broad in scope and networking is only a small piece of it.

374 REP. KATZ: I am interested in the implementation of networking and the encouragement of high performance work organizations.

377 LOHMAN: Regarding networking, we are directed by SB 997 to establish a network broker training program - consultants in the field.

394 REP. KATZ: There are no incentives or grants in SB 997. How are you going to encourage high performance manufacturing practices?

400 LOHMAN: The bill directs us to set up an awards program so as to get out the information and that we will remind businesses this may be effective for them. Again, there are no incentives built in.

410 REP. KATZ: There is also no training. I like the bill and the concepts. It is creative and supports the small businesses by making them more competitive. However, I am not sure you are going to achieve

your goals by the way these funds are spent.

422 REP. CARTER: Some expertise exists at EDD. Hopefully motivation will come.

439 REP. KATZ: How are you going to spend the funds allocated to the Key Industries program and what are you going to expect from these expenditures?

444 LOHMAN: Presents "1991-93 Key Industry Activities" (EXHIBIT E). We need legislative guidance.

TAPE 193, SIDE A

025 REP. KATZ: This is an attempt to "pigeon-hole" a previous program - key industries - with two very important new concepts (networking and high performance work organizations) and I don't think this will be effective with a limited amount of funds and no incentive grants. I want to know what is that you expect the outcome will be when you expend these resources in terms of networking and high performance work organizations?

052 LOHMAN: I am not entirely sure. This is not a proposal that we developed - the concept came from the legislature. We think we will be able to train 20-40 people on how others have used networking and give them some ideas.

069 REP. KATZ: The presentation on networking by NIELS NIELSEN was very exciting. I just want to make sure this is not going to be a disappointment. Do we have the capabilities and desire to do this? What is EDD considering doing?

077 REP. CARTER: We may have the resources in expertise, but we don't have the capacity of resources (capital) to do this.

095 REP. KATZ: What does staff suggest that these funds be used for?

092 CORTRIGHT: 1) High performance work organizations - how does the government promote and instill that? Probably start by recognizing, informing, educating, and working closely with the businesses.

104 REP. KATZ: I would suggest involvement of the CEO's and them "figure it out" for themselves. Maybe CEO's selected for a council - solicit their advice.

115 CORTRIGHT: The high performance work organizations may also be combined with other facets of the Key Industry program. It does not exist on its own and the \$50,000 may not be the only set of resources.

132 REP. CARTER: I would like to see EDD discuss this with Hewlett Packard - recognized as one of the foremost high performance work organizations in the country. Bring us back creative ideas so we have to fund this.

144 CORTRIGHT: Regarding networking, three or four things could be combined. The telecommunications is to promote the networking. I thought EDD had the staffing in their budget for key industries. The feasibility grants would be beyond the scope of these resources.

167 LOHMAN: What we currently have is a policy unit within our

Partnership Division that consists of one manager and one other professional (91-93 budget). They don't get to do policy work anymore, they do key industries and some other miscellaneous projects that are assigned to us. We have a staff limitation here.

193 REP. CARTER: High performance has a lot to do with flexibility and our managers need to communicate the importance of that. Why is OASIS still "with us"?

208 LOHMAN: I included it on the list because it is a known proposal. They will be asking us and their legislators to support them.

215 REP. KATZ: We are not focusing our monies on projects that can do the most for the state.

220 REP. CARTER: I am against this.

235 CHAIR BAUM: We will reconsider this bill on Monday. Friday is reserved because it is the deadline for moving House bills.

242 REP. BARNES: Do we need to amend these industries as they were amended in HB 2340?

245 CORTRIGHT: This list was meant to be open-ended that could be added to.

253 REP. KATZ: What have we gotten for \$5 million from OACIS?

258 LOHMAN: OASIS has given us applied research in application of parallel processing that will benefit those companies in Oregon who do parallel processing. Those are becoming the leading companies in this emerging field. OACIS has also served as the beginning of a statewide computer science department.

270 REP. KATZ: When do we finally walk away from it and let it stand on its own?

272 LOHMAN: I can't answer that. That is up to the Legislature.

300 CHAIR BAUM adjourns the meeting at 10:55 am.

Submitted by,

Jeri Chase Office Manager

EXHIBIT SUMMARY

EXHIBIT A -Proposed Regional Strategies Amendments, May 13, 1991, submitted by Tami Miller, 1 page

EXHIBIT B -LC Requested Amendments to HB 2340, submitted by Tami Miller, 5 pages

EXHIBIT C -ORS 284.010 - ORS 284.060, submitted by Tami Miller, 3 pages

EXHIBIT D -EDD Key Industry Program - 1989-91 Initiatives, submitted by Dave Lohman, 1 page

EXHIBIT E - EDD 1991-93 Key Industry Activities, submitted by Dave Lohman, 2 pages